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Israel

Oilseeds and Products

Annual

2000

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Report Highlights:

In MY 1999 U.S. soybeans regained the market share lost in MY 1998 to Argentinean beans and reached record import levels as poultry consumption grew dramatically. CY 1999 imports are estimated at 657,000 mt, 87 percent of which was of U.S. origin.

As the demand for 48 percent protein meal grows, Israeli feedmills can be expected to import increasing amounts of soymeal at the expense of U.S. beans.

Israel's aging crushing industry is at a crossroads; new crushing plants in the region are potential competitors.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

CY1999 was a record year of grain and soybean imports to Israel.
The imports of soybeans increased from 515 tmt in MY1998 to 636 in MY1999 (23.5 percent). Meal imports reached a record high, 51,000 mt (51tmt) in CY1999. Imports increased, especially after a midyear reduction of tariffs and can be expected to grow further after the next tariff reduction scheduled for January 2001.

After a 25 percent drop in 1998, the market share of American soybean imports reached 92.5 percent in CY1999. This is explained by problems of quality in a large shipment from Argentina in 1998. In 1999, the oil crushers issued three tenders for soybeans from Argentina, but none was filled because no Argentinian supplier could comply with the crushers' high quality demands.

Soy oil (125 tmt), rapeseed oil and sunflower oil (27 tmt) - are the three main oils produced in Israel. Oil imports (crude and refined) in 1999, are estimated at 49 tmt.

Falling broiler prices and a richer variety of processed poultry products resulted in significantly higher sales. Consumption of oil meals grew as a result of increased broiler production.

Towards the end of 2000, a committee of the Ministry of Health will issue regulations regarding its policy with respect to genetically modified organisms (GMO). This committee decided to adopt European standards for genetically-modified products, which means that any product sold or exported from Israel must have a label indicating that it is free of any genetically-modified component. The regulations will probably not have an affect on imports of livestock feed, but raw materials for the food processing industry may require certificates that they are GMO-free. In addition, imported consumer products and domestic products incorporating GMO's will require labels to that effect.

1999 presented no development in full fat soya utilization. Israeli feedmills use mainly soapstock as a source of fat.

Total Oilseeds

PSD Table						
Country:	Israel					
Commodity:	Soybean					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		10/1998		10/1999		10/2000
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Beginning Stocks	12	24	15	3	14	3
Production	0	0	0	0	0	0
MY Imports	530	515	510	636	0	645
MY Imp. from U.S.	470	408	460	551	0	625
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	542	539	525	639	14	648
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	518	526	500	625	5	625
Food Use Dom. Consump.	8	9	10	10	0	12
Feed Waste Dom.Consum.	1	1	1	1	0	1
Total Dom. Consumption	527	536	511	636	5	638
Ending Stocks	15	3	14	3	9	10
TOTAL DISTRIBUTION	542	539	525	639	14	648
Calendar Year Imports	517	517	520	657	0	661
Calendar Yr Imp. U.S.	371	371	470	608	0	633
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Production
In Israel, there is no production of oilseeds for crushing. Sunflowers and peanuts are produced for confectionery; all oilseeds for crushing are imported. This condition is not expected to change as these crops are not economical, mainly due to Israel's serious water scarcity.

Consumption
The consumption of oilseeds is derived from the demand for oil meals for livestock and poultry. Annual consumption of oilseeds by crushers is very close to total crushing capacity in Israel. In 1999, the total quantity of feed sales increased by 7.4 percent. Three livestock sectors (broilers, turkeys and dairy cattle) are responsible for the higher demand. The preliminary estimate for 2000 is for continued growth of oil meal sales.

Table 1. Oilseeds - Summary (tmt)

Marketing Year *	**1998**	**1999**	**2000 forecast**
Domestic Production	30	22	22
Imports: Soybean	515	636	645
From the U.S. U.S. share	408 79%	551 87%	625 97%
Change in stock	-10	+11	+20
Sunflower seed +Rapeseed	44	58	58
Domestic Soybeans Crush	570		

Source: Ministry of Agriculture (MoA), Pricing and Supply Dept. figures.
* Oilseed marketing year: 1.Oct - 31.Sept

Trade

Exports
The only export that was made in 1999 was 8,255 tons of confectionery peanuts (9,542 tons in 1998) and about 7 tmt of confectionery sunflower.

Imports
Total 1999 imports of grain and wheat for livestock are 4,193 tmt of which roughly half was of U.S. origin. CY1999 was a record year for soybean imports, reaching 657 tmt (517 tmt in 1998). Within that increase in market volume, U.S. beans counted for 608 tmt, or 92.5 percent ofthe market (after losing about 25 percent of the market share in 1998 to lower cost Argentinean beans). Other minor sources for soybeans are Canada, Paraguay and Romania. Sunflower seeds and rape usually are imported from Eastern Europe. Israel's three main crushers usually join forces in soybean imports. All three claim they make a very small margin with U.S. beans, and intend to look for new, lower cost sources. In addition, they have to compete with soy meal and other meal imports on which they claim import tariffs are "too low". In 1999, having learned a painful lesson from problematic Argentinean shipments of the previous year, the crushers raised their quality specifications in three tenders opened for Argentinian exporters. No company could meet the demands. Accordingly, they preferred to stick to the more expensive U.S. beans. The importers claim that they are willing to pay a premium of up to five dollars CIF for bean quality and dependability of supply.

Feed millers also import a certain quantity of soybean meal each year, to keep the crushers under competitive pressure. Imported corn is used only for livestock feed. Only small quantities are for crushing.

Import Trade Matrix			
Country: Israel		**Units:**	**metric tons**
Commodity: Soybean			
Imports for	**1998**		**CY 1999**
U.S.	**349491**	**U.S.**	**623799**
Others		**Others**	
Argentina	**132934**	**Argentina**	**18362**
Romania	**8605**	**Romania**	**6464**
Holland	**8253**		
United Kingdom	**9463**		
Canada	**6016**	**Canada**	**366**
Total for Others	**165271**		**25192**
Others not listed	**0**		**7912**
Grand Total	**514762**		**656903**

Israel
Trade Matrix - Rape seed
Units: $ '000

Country of Sale	**1998 - $'000**	**1999 - $'000**	**1999 - mt**
Canada	3,387	-	-
Romania	2,034	3,012	15,157
Russia	1,318	0	0
France	0	2,503	9,425
United Kingdom	0	2,066	8,500
Ukraine	0	743	2,609
Other	392	124	630
Total	**7,131**	**8,448**	**36,323**

Genetically Modified Products

The government of Israel nominated two committees to determine an official GMO policy: one chaired by the Ministry of Health and the second by a representative of the Plant Protection and Inspection Service of the MOA. The PPIS committee has not completed its deliberations yet; the MOH committee decided to adopt the European standard on GMO's. This requires the labeling of any product that contains a GM component. The Ministry of Health is about to issue regulations that will require exporters of soy food to Europe to label their products. Manufacturers in the soy food industry have already limited themselves to non-genetically modified soybeans, imported mainly from the U.S.A., so the existing import situation can be expected to remain unchanged. However, the labeling regulations may prove difficult for some exporters of products containing GM components.

Trade policy

In CY1999 there was a duty-free quota of 2,185 mt for confectionery sunflower seeds of U.S. origin. This quota is shared between Israeli and Palestinian importers. In the year 2000 the quota is 2,251 mt and will reach 2,319 mt in 2001. All oilseeds for crushing enter duty-free, including sunflower seeds destined for the oil industry.

Implications for U.S. exporters

Growing meal imports can be expected to lead to bean and other grain imports from the same sources. It will become increasingly important for U.S. exporters to maintain contact and good relations with the Israeli crushing industry and Israeli feed millers, both as clients of Israeli crushers as well as probable future clients of U.S. soymeal exporters. The main selling point of U.S. grains is quality of the product and reliability of supply. Investment in its promotion among Israeli livestock and poultry nutritionists appears to be an effective use of market promotion funds to tie this lucrative market to U.S. suppliers.

Oil Meals

PSD Table						
Country: Israel						
Commodity: Soybean Meal						
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		10/1998		10/1999		10/2000
Crush	518	526	500	625	5	625
Extr. Rate	0.8398	0.8669	0.83	0.816	0	0.824
Beginning Stocks	4	5	1	15	4	5
Production	435	456	415	510	0	515
MY Imports	30	15	40	40	0	70
MY Imp. from U.S.	30	15	40	33	0	53
MY Imp. from the EC	0	0	0	7	0	17
TOTAL SUPPLY	469	476	456	565	4	590
MY Exports	10	20	20	0	0	15
MY Exp. to the EC	0	2	0	0	0	0
Industrial Dom. Consump.	2	2	2	3	0	3
Food Use Dom. Consump.	456	438	430	556	0	567
Feed Waste Dom.Consump.	0	1	0	1	0	1
Total Dom. Consumption	458	441	432	560	0	571
Ending Stocks	1	15	4	5	4	4
TOTAL DISTRIBUTION	469	476	456	565	4	590
Calendar Year Imports	37	24	35	51	0	75
Calendar Yr Imp. U.S.	37	24	35	38	0	58
Calendar Year Exports	12	20	18	0	0	15
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Production

Oil meal production, is geared to livestock consumption, limited by crushing capacity and complemented by imports. The crushing plants cannot satisfy all the demand. Most of the crushers make only 44 percent soy meal. Hi-Pro meal is still produced only by one crusher and this is also by old inefficient equipment. This crusher is now investing mainly in expansion of crushing capacity. There were no developments in full fat soya production. One feedmill installed equipment but it is used only for making fish feed. Israelis use mainly soapstock, which costs less and is readily available, instead of full fat soya..

Table 2. Oil meal - Summary (tmt)

Marketing Year	1998	1999	2000 forecast
Crush	570	625	625
Meal Production (80%)	456	500	500
Soy meal imports:	15	40	70
Of which from the U.S.	15	33	53
U.S. share %	100	82	73
Other meal	111	86	90

Source: MoA, Pricing and Supply Dept. figures

Consumption

The consumption of oil meal in 1999 increased by 7.4 percent. The higher production volumes of broilers and the higher share of concentrated feed for dairy cattle, induced by Israel's extended drought and shortage of roughage, explain this.

Israeli per-capita consumption of poultry meat is among the highest in the world; in 1999 it rose to 30.3 kg. However, marketing studies show that consumption has not reached its peak, and there is still a significant potential for per-capita consumption growth up to 40 kg.

Derived demand for soybean meal as poultry production increases is: 500 mt of meal per 1,000 additional tons of broilers, 675 mt per 1,000 mt of turkeys and 270 mt per additional ten million eggs.

Table 3. Sales of Mixed Feed by Livestock Type (Thousands of Metric Tons)

Calendar Year	1997	1998	1999	Percent Change	Percent of Total
Grand total	2,006	2,068.8	2,222	7.4	100
Cattle	243.7	418.4	452.7	8.2	20
Poultry - Total	1,461.3	1,440.9	1,548.2	7.4	70
of which: Broilers	678.1	646.4	708.1	9.5	32
Layers	304.9	319.6	315.0	-1.4	14
Turkeys	362.0	321.4	371.0	15.4	17
Other poultry*	116.3	153.5	154.1	0.3	7
Sheep, Other**	201.6	209.5	221.1	5.5	10

Central Bureau of Statistics (CBS), Agricultural Statistics, Quarterly, No. 4, 1999.
* Other poultry include ducks, geese, breeding flocks and ostriches.
** Other livestock refers to hogs and horses.
The above feed sales exclude feed mixed by cattle feed-centers (estimated 80 tmt) and include sales for Palestinian customers (about 12 percent).

The three livestock sectors that are mainly responsible for the rising demand for feed are - broilers, turkeys and dairy cattle.

1. Broilers -
Broiler production in 1999 grew by about 10 percent. Production volume for the last six years was as follows:

Table 4. Annual Broiler Production '000 mt live weight

	Thousands tons (LW)	% change
1994	217	
1995	227	4.8
1996	229	0.7
1997	233	2.1
1998	245	5.0
1999	**270**	**10.2**

Source: Agricultural Center

Higher quantities of broiler meat were produced and consumed with no major changes in stocks. It is still to be seen whether these quantities represent changes in consumption patterns, or are consumers' response to lower prices.

One of the broiler companies has started to restructure its operation more towards vertically integrated management. This is the first company in Israel to take real steps towards becoming a full vertically integrated operation.

1999 was the first year in which poultry processors manufactured a large variety of broiler products. Market research indicates that a greater variety of processed poultry products can increase per-capita demand for poultry, indirectly raising the demand for oil meals.

2. Turkeys -
Production in 1999 was about 5 percent above 1998 figures. According to the numbers of day-old-chicks sold, growth rates should have reached about 8 percent. The lost 3 percent are due to health problems during the summer. These problems resulted in lower weight gain and higher mortality rates.

3. Dairy Cattle -
Israeli agriculture has suffered a severe drought in the past two years. It caused a critical shortage in most roughages. Using a higher share of concentrated feed than usual compensated for at least part of the shortage and raised soybean meal consumption in the dairy sector.

Trade

Exports

Oil meal is exported only to Jordan, to one Jordanian importer. In 1999 this importer experienced economical difficulties and so there was no export at all. It is expected that during the year 2000 his situation will improve and exports will be renewed.

Imports

Oil meal imports can be expected to increase in the near future, due to the combination of the refusal of the crushers to produce Hi-Pro 48 percent soy meal and the reduction of the levy on protein meal imports.

Table 5. Trends in Soy Meal Imports 1992 - 2000

Calendar Year	Quantity - mt
1992	5,380
1993	7,140
1994	52,000
1995	14,000
1996	80,000
1997	32,000
1998	24,000
1999	51,000
2000 (forecast)	75,000

Source: MoA, Pricing and Supply Dept.

Table 6. Share of Soybean Meal in Total Feed Sales:

Year	Total Feed (tmt)	Soy meal * (tmt)	%
1990	1,625	295	18.2
1991	1,803	332	18.4
1992	1,905	407	21.4
1993	1,910	413	21.6
1994	2,006	347	17.3
1995	2,042	406	19.9
1996	2,011	433	21.5
1997	2,007	498	24.8
1998	2,068	438	21.2
1999	2,222	577	25.9

Source: MoA, Pricing and Supply Dept. figures

*Soybean meal availability is calculated as 80% of soybeans plus actual imported meal.

Trade Policy

Domestic meal production is still protected by import levies. The meal imports, which previously had been restricted to U.S. sources, are now allowed from any source. In 1998, under pressure from the feed millers, the government reduced the levy on protein meals. In 1999, the Ministry of Trade and Industry announced a new set of tariffs for imported meals.

Table 7. The new tariffs for imported meals are as follows:

	1999	January 1, 2000	January 1, 2001	July 1, 2001
Soy meal: (HS Custom Code: 2304.0000)				
From U.S.A	7.8%	6.0%	4.5%	3.0%
All other origins	12.0%	9.5%	7.2%	5.0%
Other meals: (HS Custom Code: 2305; 2306.0000)				
From U.S.A	2.0%	2.0%	1.6%	1.4%
All other origins	6.0%	5.0%	3.6%	2.3%

Source: Israel Customs Authority.

Implications for U.S. Exporters

The U.S. is the main reliable world supplier of 48 percent Hi Pro meal. As Israeli tariffs on imported soybean meal are eventually removed, soybean meal imports can be expected to displace soybean imports. In addition, crushers continue producing 44 percent soybean meal, arguing that they can't easily sell the hulls. More important, crushers say they cannot justify investments in state-of-the-art dehulling equipment for processing 48 percent high protein meal. This inability or unwillingness of Israeli crushers to produce 48 percent soybean meal, instead of 44 percent, makes them more vulnerable to imports of high protein meals and could eventually knock one or more of the three main concerns out of the market.

The importance of quality and dependability of supply have been stressed above. In the course of the year 2000 Hi Pro soymeal shipments from the U.S. arrived with certificates indicating 48 percent protein. Feedmill analyses found a range of results, some of which were as low as 46 percent. U.S. exporters who cannot provide a consistently reliable product risk losing this sophisticated and demanding market.

Vegetable Oils

Production

Soy, rapeseed and sunflower oils are the three main oils produced in Israel. A small quantity of corn is also crushed locally. A variety of vegetable oils is imported as crude and refined domestically - both by the crushers and by large manufacturers of margarine, snacks and other foods.

Table 8. Vegetable oil - Summary

Marketing Year	1998	1999	2000 forecast
Crush	590	625	625
Production: Soy-oil	103	125	130
Other oil	15	27	29
Oil imports	44	49*	50

* Estimated - Data not available.

Crushing Capacity

Annual crushing capacity in Israel is about 625 tmt of soybeans. The local crushing industry will always be at some disadvantage, mainly because of kosher restrictions, which allow them to operate only 250-270 days per year. The introduction of new crushing facilities in the region (Egypt and Turkey) will represent a real threat to the local crushing industry. In the long run, some local crushers might consider relocating their operations to the Palestinian Authority or to Jordan. There are already some Israeli manufacturers from the textile sector who moved part of their manufacturing facilities to Jordan in order to save labor expenses and be more competitive. The regional soybean users conference organized by the ASA and held annually, plays an important role for possible regional cooperation of that sort in the future. This could help maintain high levels of demand for U.S. beans by inducing substitution of inferior Indian products with products produced in the region from American soybeans.
Current crushing capacity is estimated as follows:

Table 9. Crushing Capacity by Plants

Plant	Thousands per Year '98	MT/day '99	Thousands per year '99
Teth-Beth	200	700	180
Shemen	180	800	205
Olivex	140	540	140
Solbar	45	400	100
Milomor	25	-	-
Total	590	2,440	625

Annual capacity is translated by multiplying daily capacity by about 260 operating days per year in 1999 (220 days per year in 1998).

Teth-Beth: A family owned company, which previously had operated two soybean-crushing plants (1,000 mt/day). Now, they operate only one facility, and have reduced their total capacity by 30 percent, down to 700 mt/day.
Shemen: The largest soybean crusher in Israel. Listed on the Tel Aviv stock exchange, 25 percent of the company's stock is traded in the stock market..
Olivex: 75 percent of the company is family-owned and 25 percent is owned by ADM. The plant is located in an urban center, and in time the owners will definitely have to decide either to relocate or to close down.
Solbar: ADM owns 52 percent of the company and the rest belongs to Kibbutz "Hatzor". It manufactures soy products for the food industry. It is the only crusher that produces Hi-Pro meals.
Milomor: The plant is located in the north. In recent years it has concentrated mainly on a variety of vegetable oils. In 1999, they did not crush soybeans at all; their main products are rape and sun oil.

Consumption
Consumption of vegetable oils has increased rapidly in the last few years. This is explained mainly by the rapid growth of snack food production and by growth of the fast food sector. Soy oil sales represent 74 percent of total vegetable oil consumption.

Prices
The crushers use the oil price to compensate for the lower price of protein meal dictated by direct importation by the feed millers. In the long-term, the price of soybean meals and oils is dictated by the price of soybeans in the Chicago Board of Trade; in the short-term prices change according to market demands. There are no large refined oil imports, since duty free imported soybeans for crushing are still cheaper than importing refined oil that pays a levy.

Table 10. Development of Soy Meal Prices (NS/mt ex-factory)

Month/Year	1996	1997	1998	1999	2000
January	890	1056	1077	794	832
February	945	1076	1051	761	
March	1021	1140	983	738	
April	1071	1217	927	720	
May	1071	1258	905	745	
June	1106	1312	819	765	
July	1042	1271	828	770	
August	1031	1200	822	793	
September	1037	1110	807	853	
October	1040	1119	873	879	
November	1046	1122	858	848	
December	1056	1099	812	841	

Source: CBS, Price Statistics, Monthly. NS = new sheqel
Exchange Rate: $1 = NS 3.10 (1/96), 3.28 (1/97), 3.58 (1/98), 4.10 (1/99), 4.1 (1/00)

Table 11. Consumer Price of Soybean Oil
NS per 1,000 cc

Month/Year	1996	1997	1998	1999	2000
January	5.51	5.23	5.68	7.08	6.61
February	5.55	5.66	5.91	7.15	
March	5.72	5.21	6.07	7.05	
April	5.55	5.24	6.17	7.55	
May	5.50	5.20	6.15	7.49	
June	5.50	5.15	6.43	7.43	
July	5.40	5.19	6.37	6.60	
August	5.96	5.26	6.43	6.44	
September	5.38	5.30	6.43	6.35	
October	5.26	5.37	6.44	5.70	
November	5.35	5.52	7.00	6.28	
December	5.26	5.62	7.17	6.39	

Source: CBS, Price Statistics, Monthly. NS = new sheqel
Exchange Rate: $1 = NS 3.10 (1/96), 3.28 (1/97), 3.58 (1/98), 4.10 (1/99), 4.1 (1/00)

Trade

Vegetable oil imports average 40 tmt a year. Most of these oils are imported crude and refined in Israel. Most purchases are based on spot transactions in the international market and not on long term agreements.

Israel
Trade Matrix - Soybean Oil (1507.XXXX)
Units: '000 liters and $1,000

Country of Sale	1988 Value $'000	1999 Quantity '000 liter	1999 Value $'000	1999 Unit Value
U.S.A.	3,277	5,653	4,013	0.71
Other: Spain	1,994	1,500	848	0.57
Greece	0	1,714	1,117	0.64
Netherlands	1,601	1,958	1,231	0.63
Germany	988	1	3	-
Argentina	807	1,745	1,351	0.77
All Other	3,232	1,080	656	0.61
Total	**11,899**	**13,678**	**9,219**	**0.67**

Source: Central Bureau of Statistics. 1999 data is preliminary

Israel

Trade Matrix - Rapeseed Oil (1514.XXXX)
Units: '000 liters and $1,000

Country of Sale	**1988 Value $'000**	**1999 Quantity '000 liter**	**1999 Value $'000**
U.S.A.	124	309	190
Other: Belgium	0	200	193
Germany	31	19	22
All Other	20	528	18
Total	**175**	**14**	**423**

Source: Central Bureau of Statistics. 1999 data is preliminary.

Israel
Trade Matrix - Corn Oil (1515.XXXX)
Units: '000 liters and $1,000

Country of Sale	**1988 Value $'000**	**1999 Quantity '000 liter**	**1999 Value $'000**	**1999 Unit Value**
U.S.A.	4,309	3,638	3,427	1.51
Other: Turkey	5,833	5,649	5,702	1.03
Argentina	91	530	540	1.02
Cyprus	438	608	644	1.05
All Other	993	748	818	-
Total	**11,664**	**11,173**	**11,131**	**1.00**

Source: Central Bureau of Statistics. 1999 data is preliminary
Unit value calculated from individual country data on refined, edible oil.

Other Oils
Other oil imports in CY 1999 included palm oil in its various forms: $9.2 million, mainly from Singapore and Malaysia, down from $10.4 million in 1998; sunseed and safflower oil: $3.1 million, down from $5.6 million in 1998, of which $2.4 were of U.S. origin. Cotton oil imports totalled $2 million in 1999, down from $2.8 million the year before. U.S. exports amounted to $664 thousand in 1998 and $ 563 thousand in 1999. Israel's main supplier of cotton seed oil was Greece.

Trade Policy

Local oil production is protected by import tariffs. According to the 1996 U.S.-Israel Agreement on Food and Agriculture, in 1999 oils of U.S. origin enjoyed a 34 percent discount relative to the Most Favored Nation (MFN) tariff. In the year 2000 oils of U.S. origin enjoy a 37 percent discount, rising to 40 percent in 2001. There are no non-tariff barriers on oil imports.

Table 12. Import Tariffs on Crude and Refined Vegetable Oil:

Product	1999	2000	1/1-1/7 2001	1/7-31/12 2001
Soy, Rapeseed, Sunflower – from U.S.A	5.94	4.2	3	1.8
All other origins	9.0	7.0	5.0	3.0

Source: Israel Customs Authority.